



Office of Hon Steven Joyce

Minister for Economic Development
Minister of Science and Innovation
Minister for Tertiary Education, Skills and Employment
Associate Minister of Finance

C-12-07-1032
Received 4 / 7 / 12

03 JUL 2012

Seen by CE Yes/No

Referred to.....

Action.....

Sir Wira Gardiner
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Wira

Determination of Design of Funding Mechanism: "Competitive Allocation Process for Provision at Levels 1 and 2 of the New Zealand Qualifications Framework"

I am writing to advise you of my determination, under section 159L of the Education Act 1989 (the Act), of the design of the funding mechanism for the competitive allocation process for provision at levels 1 and 2 of the New Zealand Qualifications Framework.

I set out my determination of the design of the funding mechanism in the appendix to this letter. This determination covers the period 1 January 2013 to 31 December 2014.

Under section 159O of the Act, it is the Commission's responsibility to develop the operational policy and practices needed to implement my determination of the design of the funding mechanism. I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to this determination.

Yours sincerely

Steven Joyce
Minister for Tertiary Education, Skills and Employment

Appendix 1 – Determination of design of funding mechanism: Competitive Allocation Process for Provision at Levels 1 and 2 of the New Zealand Qualifications Framework

DETERMINATION OF DESIGN OF FUNDING MECHANISM:

COMPETITIVE ALLOCATION PROCESS FOR PROVISION AT LEVELS 1 AND 2 OF THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

INTRODUCTION

1. A range of changes are being made to improve the relevance and results of entry-level tertiary education. The changes will focus entry-level tertiary education on providing people of all ages who left school without qualifications with the opportunity to learn the foundation skills needed to progress to higher-level study and skilled employment.
2. The changes will affect Student Achievement Component-funded provision at levels 1 and 2 on the New Zealand Qualifications Framework (NZQF). A separate funding pool for provision at levels 1 and 2 has been established, with access to the pool to be managed by the phased introduction of a new competitive allocation process that will allow tertiary education organisations (TEOs) to tender for provision.

PURPOSE OF COMPETITIVE ALLOCATION PROCESS

3. The purpose of the competitive allocation process is to ensure the purchase of good quality provision at levels 1 and 2 on the NZQF which reflects the Government's priorities for entry-level tertiary education, and provides more certainty that the funding rates accurately reflect the costs of delivery.
4. The competitive allocation process is to be phased in over two to three Investment Plan periods. This funding mechanism covers the first two years of the transition period.

STATUTORY AUTHORITY

5. This funding mechanism is made under section 159L of the Education Act 1989 ("the Act").
6. Funding for provision at levels 1 and 2 on the NZQF is to be paid under section 159YA of the Act.

GENERAL PARAMETERS

Effective period

7. This funding mechanism is to fund provision delivered between 1 January 2013 and 31 December 2014 only.
8. The TEC may exercise any of its administrative functions as required to give effect to this funding mechanism outside those dates.

Total Available Funding

9. The total amount of funding for allocation under this funding mechanism will be up to \$40 million annually, approximately one-third of the levels 1 and 2 funding pool for 2013 and 2014.

Objectives of entry-level tertiary education

10. The objectives of entry-level tertiary education are to:
 - a. provide people who do not already have essential foundation skills with access to a low cost way to gain those skills; and
 - b. provide progression to higher level study and skilled employment; and
 - c. build the language, literacy and numeracy skills of eligible students; and
 - d. enable beginning students to learn English or Te Reo Māori; and
 - e. encourage those providers who are best able to meet the needs of foundation education students.

TEO Eligibility

11. The TEC may provide funding under this mechanism only to universities, institutes of technology and polytechnics, wānanga, and private training establishments.

Eligible programmes

12. To be eligible for funding, programmes must:
 - a. meet the objectives of entry-level tertiary education; and
 - b. lead to a full qualification (of 40 credits or more) at levels 1 and 2 on the NZQF; and
 - c. include literacy and numeracy provision (except for qualifications in English for Speakers of Other Languages (ESOL) or Te Reo Māori); and
 - d. include an assessment process, under which learners are assessed using the Literacy and Numeracy for Adults Assessment Tool (except for qualifications in English for Speakers of Other Languages (ESOL) or Te Reo Māori).

Learner Eligibility

13. To be eligible for participation in programmes leading to qualifications at levels 1 and 2 (except for qualifications in English for Speakers of Other Languages (ESOL) or Te Reo Māori), prospective students should not already hold any qualifications at level 2. However, TEOs are expected to manage a transition regime which will shift most enrolments in levels 1 and 2 qualifications over time to those students who do not have a prior qualification at level 2.

14. For the first year of the transition regime:
 - a. for all enrolments at all TEOs, except for enrolments in mātauranga Māori qualifications at wānanga, students who already hold a qualification at level 2 on the NZQF may comprise up to 30% of enrolments at each TEO; and
 - b. for enrolments in mātauranga Māori qualifications at wānanga, students who already hold a qualification at level 2 on the NZQF may comprise up to 50% of enrolments at each wānanga.
15. For the second year of the transition regime:
 - a. for all enrolments at all TEOs, except for enrolments in mātauranga Māori qualifications at wānanga, students who already hold a qualification at level 2 on the NZQF may comprise up to 20% of enrolments at each TEO; and
 - b. for enrolments in mātauranga Māori qualifications at wānanga, students who already hold a qualification at level 2 on the NZQF may comprise up to 30% of enrolments at each wānanga.

CONDITIONS THAT THE TEC MUST ATTACH TO FUNDING PROVIDED UNDER SECTION 159YA

The following specific conditions must be attached to funding provided under this funding mechanism:

No Other Funding

16. A condition that a TEO will:
 - a. not (without the TEC's prior written consent) seek or obtain any funding from any Crown source other than the TEC to fund the same part of its activities funded under this funding mechanism; and
 - b. notify the TEC immediately if it becomes aware of any circumstances that might result in a breach of this condition.

Recovery of over-funding

17. A condition that if the results of an audit, reporting or statistical returns, show that the amount of a payment of funding provided to a TEO under this funding mechanism was greater than it should have been, then the amount of the over-funding is treated as a debt due to the Crown and is:
 - a. repayable by the TEO on demand; and
 - b. subject to the TEC's set off rights under any condition attached to funding.

Administrative responsibilities of TEC in relation to Clause 17

- (i) Before making demand for repayment, the TEC must first consult with the TEO on the audit, reporting or statistical returns which disclosed the over funding.
- (ii) In the case of TEOs located in Christchurch whose capacity as a provider has been affected by the earthquake of 22 February 2011 or subsequent aftershocks, the TEC may waive the debt repayable by the TEO in full or in part.
- (iii) If the results of an audit, reporting or statistical returns indicate that the amount of a payment of funding provided under this funding determination was less than it should have been, the TEC must credit the amount of the under-funding to an account nominated by the TEO as soon as reasonably practicable.

Repayment of funding following revocation of funding approval

- 18. A condition that if a TEO's funding for provision at levels 1 and 2 is revoked under section 159YG by the TEC before some or all of the funding provided to the organisation has been used, or contractually committed towards the purposes for which that funding was provided, then the unexpended or uncommitted portion of the funding is treated as a debt to the Crown and is:
 - a. repayable on demand by the TEC; and
 - b. subject to the TEC's set off rights under any funding condition.

Repayment of excess funding

- 19. A condition that if the TEC considers on reasonable grounds that a TEO has received funding that it was not entitled to receive, then the amount of funding received in excess of that TEO's funding entitlement is a debt due to the Crown and is:
 - a. repayable on demand by the TEC; and
 - b. subject to the TEC's set off rights under any funding condition.

Set off

- 20. A condition that the TEC may set off, against all or any funding or other sum of money payable by the TEC to a TEO, any debt or other sum of money payable to the TEC by that TEO (including pursuant to any funding condition) where such debt or liability of the TEO has been outstanding to the TEC for ninety days or more.

MATTERS FOR FURTHER DETERMINATION

Maximum Fee

- 21. The maximum fee that may be charged to a student enrolled in Level 1 or Level 2 provision that is funded under this funding mechanism will be specified as a condition to be attached to funding by way of a supplementary determination.